

EXHIBIT 1

INTRODUCTION

Respondent Bernard (Bud) Kroll is a Managing Director with J.P. Morgan Investment Management Inc. (“J.P. Morgan”), an Asset Management-Consultant for the California Public Employees Retirement System (“CalPERS”). He assumed office as the primary Portfolio Manager for the CalPERS assets being managed by J.P. Morgan on September 1, 2000.

As a primary Portfolio Manager, Respondent was required by the Political Reform Act (the “Act”),¹ to file a statement of economic interests within 30 days of assuming office. Respondent was also required to file an annual statement of economic interests by April 1st of each year (unless April 1st falls on a Saturday, Sunday, or official holiday, in which case the filing deadline is extended to the next regular business day).²

In this matter, Respondent failed to timely file an assuming office statement of economic interests within 30 days of assuming office, and Respondent failed to file a year 2000 annual statement of economic interests by the April 2, 2001 due date.

The Enforcement Division handled this case on an expedited basis under the SEI Expedited Procedures adopted by the Commission in July of 1999.

For the purposes of this Stipulation, Respondent’s violations are stated as follows:

COUNT 1: As the primary Portfolio Manager for the CalPERS assets being managed by J.P. Morgan, Bernard (Bud) Kroll failed to timely file an assuming office statement of economic interests, by October 1, 2000, in violation of Sections 87200 - 87302 of the Government Code.

COUNT 2: As the primary Portfolio Manager for the CalPERS assets being managed by J.P. Morgan, Bernard (Bud) Kroll failed to file a year 2000 annual statement of economic interests, by the April 2, 2001, due date, in violation of Sections 87200 - 87303 of the Government Code.

¹ The Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

² Regulation 18116

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (c), is to assure that the assets and income of public officials, which may be materially affected by their official actions, be disclosed, so that conflicts of interest may be avoided.

In furtherance of this purpose, Sections 87202 and 87302 require certain officials to file a statement of economic interests within 30 days of assuming office, disclosing their reportable investments and their interests in real property held on the date of assuming office and income received during the 12 months before assuming office.

Under Sections 87203 and 87302, those same officials are required to file annual statements of economic interests disclosing their reportable investments, interests in real property and income during the preceding calendar year.

SUMMARY OF THE FACTS

On September 1, 2000, J.P. Morgan Investment Management, Inc., entered into a contract with CalPERS which provided that J.P. Morgan would manage Domestic Equities assets worth approximately 800 million dollars for CalPERS. Respondent Bernard (Bud) Kroll was a Managing Director for J.P. Morgan, and on September 1, 2000 assumed office as the primary Portfolio Manager for the CalPERS Domestic Equities portfolio that J.P. Morgan was managing for CalPERS. As the primary Portfolio Manager for the CalPERS assets being managed by J.P. Morgan, Respondent was required to file an assuming office statement of economic interests within 30 days after assuming office, which was October 1, 2000. Respondent failed to file an assuming office statement of economic interests by the October 1, 2000 deadline, in violation of the Act.

On October 11, 2000, Stephanie Schrimsher, filing official for CalPERS, sent a letter and a Form 700 (statement of economic interests form) to J.P. Morgan requesting that the new primary Portfolio Manager complete the enclosed statement of economic interests form. On or about November 1, 2000, Jennifer Myers, of J.P. Morgan, contacted Ms. Schrimsher, and told her she would have to forward the Form 700 to the new primary Portfolio Manager, who was in New York. Ms. Myers indicated that this person would be unable to return the form by November 13, 2000, but reached an agreement with Ms. Schrimsher that the form would be filed by November 22, 2000.

On February 22, 2001, Ms. Schrimsher contacted Ms. Myers to check on the status of the Form 700, and was informed by Ms. Myers that Respondent Bernard (Bud) Kroll was the new primary Portfolio Manager, and he believed, based on prior conversations with J.P. Morgan personnel, that he did not have an obligation to file the assuming office statement of economic interests. At that point, the matter was referred to the Fair Political Practices Commission (the "FPPC").

On April 2, 2001, Respondent was required to file a year 2000, annual statement of economic interests, disclosing his reportable economic interests during the preceding calendar year. Respondent failed to file the year 2000, annual statement of economic interests by the April 2, 2001, due date, in violation of the Act.

On May 23, 2001, Cyndi Glaser, Staff Services Analyst for the SEI unit of the FPPC, sent a letter to Respondent, reminding him that his assuming office statement was supposed to have been filed within 30 days of assuming office, and it had not been received. She also advised Respondent to file his delinquent statement immediately. Respondent immediately brought the letter to the attention of the appropriate J.P. Morgan personnel. Ms. Glaser also sent a second letter to Respondent on July 19, 2001, advising him that his assuming office statement of economic interests remained past due, and that the matter would be referred to the Enforcement Division if the delinquent statement was not received by July 29, 2001. Once again, Respondent immediately brought the letter to the attention of the appropriate J.P. Morgan personnel. When Respondent did not respond to this second letter, Ms. Glaser referred the matter of Respondent's failure to file an assuming office statement of economic interests to the Enforcement Division of the FPPC.

On August 27, 2001, Investigator Dan Schek of the Enforcement Division spoke with Respondent by telephone, and was advised by Respondent that he did not believe that he was required to file statements of economic interests. Respondent told Investigator Schek that he would have his attorney contact the Investigator to discuss his filing requirements.

Following discussions between Respondent's Attorney and the Enforcement Division Investigator and Counsel, it was agreed that Respondent would complete and file an assuming office statement of economic interests and an annual statement of economic interests for year 2000. The Enforcement Division received Respondent's completed statements on November 21, 2001, over one year after the assuming office statement was due, and over seven months after the year 2000 annual statement was due.

CONCLUSION

This matter consists of two counts of violating the Act by failing to file required statements of economic interests, and carries a maximum administrative penalty of Seven Thousand Dollars (\$7,000).³

However, under the SEI Expedited Procedures adopted by the Commission in July 1999, the approved administrative penalty, when an individual fails to immediately file a delinquent statement of economic interests after being contacted by an Enforcement Division investigator, and further action is required by an attorney in order to obtain compliance, is between Four Hundred and Six Hundred Dollars (\$400-\$600) for each count.

³ On January 1, 2001, the maximum administrative penalty amount increased from Two Thousand Dollars (\$2000) to Five Thousand Dollars (\$5,000), so the maximum penalty for count 1 is Two Thousand Dollars (\$2,000), and the maximum penalty for count 2 is Five Thousand Dollars (\$5,000).

The facts of this case, particularly the fact that Respondent filed his assuming office statement of economic interests over one year late, and the fact that Respondent filed his year 2000 annual statement of economic interests over seven months late, justify imposition of the agreed upon penalty of One Thousand Two Hundred Dollars (\$1,200).